

State Employee Benefits Committee
Monday, October 27, 2014 at 2:00 p.m.
Tatnall Building, Room 112
Dover, Delaware

The State Employee Benefits Committee met on October 27, 2014, at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Ann Visalli, Director, OMB	Jennifer Mossman, Highmark DE
Brenda Lakeman, Director, OMB, SBO	Mike Norris, Aetna
Faith Rentz, Deputy Director, OMB, SBO	Casey Oravez, OMB, Financial Operations
Eric Bafford, DelDot	Vivian Postlethwait, DSEA-R
Jennifer Brown, Minnesota Life	Leslie Ramsey, OMB, SBO
Kelly Callahan, Office of the Treasury	Lonnie Reed, U of D
Karol Powers-Case, DRSPA	Rebecca Reichardt, OMB
David Craik, Pensions	Jackie Rhoads, Highmark Delaware
Emily Cunningham, Lt. Governor's Office	Shari Sack, AFLAC
Karin Faulkner, PHRST	Carrie Schiavo, Delta Dental
Alfreda Fisher-Dean, DSEAR-R, President	Jim Testerman, DSEA-R
Michelle Golle, Minnesota Life	Ashley Tucker, AOC
Dawn Guyer, OMB	Jennifer Vaughn, DOI
James Harrison, DEAR-R	Valerie Watson, Finance
Greg Klopp, C.O.A.D.	Stuart Wohl, Segal
Joe Moracco, HMS	Brian Spivey, Segal
Shaun Morris, Novo Nordisk	

Introductions/Sign In

Director Ann Visalli called the meeting to order at 2:05 p.m. Anyone who had public comment was invited to sign-in and any others wishing to comment would be given the opportunity at the end of the meeting. Introductions were given around the room.

Approval of Minutes

Director Visalli requested a motion to approve the minutes from the August 25, 2014 SEBC meeting. Controller General Morton made the motion and Kelly Callahan seconded the motion. Upon unanimous voice vote the minutes were approved.

Director's Report – Brenda Lakeman

The FY13 reconciliation for the Medicare Part D Retiree Drug subsidy has to be completed 15 months after the close of the plan year which was September 30, 2014 and resulted in another \$177,000 to the Health Fund that will be noted on the October 2014 Fund Equity report. As the SEBC had voted in 2013 to move the FY13 subsidy money into OPEB and to hold \$300k until the reconciliation was complete, Statewide Benefits will now work to distribute the \$300K as well as the additional reconciliation amount to OPEB and the participating groups that have retirees.

Medicare open enrollment ended Friday, October 24. The Pension Office reported little activity as this was only for Special Medic-fill with or without prescription members.

Flexible Spending Account open enrollment begins on November 3rd and runs through December 2nd. A postcard was sent out to employees before November 3rd to alert them to the open enrollment period since re-enrollment must be done each year.

The RFP responses for Supplemental Benefits are being evaluated and we have received 5 bids. The contract award recommendation will be brought to the December SEBC meeting. The contract will be effective July 1, 2015.

The RFP for Employee Assistance Plan (EAP) was released on October 20th with intents to bid due by October 31st and final bid responses due on November 17th.

Director Visalli thanked all of the representatives on the Proposal Review Committees for these RFP's.

Group Health Financial Reporting – handout – Stuart Wohl, Segal

The Executive Summary (page 1) reflects an overall \$34.1M FY14 year-end deficit which is a bit higher than was expected. Segal is working closely with the medical and prescription vendors to further understand the reason. The medical plans experienced a deficit of \$9.3M and the prescription drug benefit deficit totaled \$17.1M. The total Highmark medical and prescription expenses are \$611.3M and Aetna medical and prescription are at \$38.9M for FY14.

Highmark (page 2) shows more detail on each of the plans. The Highmark PPO has close to 20,000 contracts with 45,122 members. The total Highmark membership is 62,290 contracts and 111,650 covered participants. Overall, Highmark had a 5.8% loss. Aetna (page 3) shows 3,363 contracts with 7,575 participants and a 1.3% loss in FY14. A complete picture of plan experience (page 4) shows the average cost for contract is \$10,239 and the average cost per member is \$5,638 which is 10.1% higher than FY13.

Ms. Oravez reviewed the Fund and Equity report for July 2014. The claim liability was updated to \$45M and the minimum reserve updated to \$71M. There were higher claims in July. Also updated was the CY14 Medicare Part D payments owed of \$5.6M. The August report shows outstanding CY14 Medicare Part D payments updated based on the anticipated amount to be received of just under \$10.0M. The September report reflects three payments to Express Scripts and \$3.3M received in prescription drug rebates.

Life Insurance Program Contract Award Recommendation – Brenda Lakeman

Ms. Lakeman shared that the Committee had not been out to bid for life insurance for 10 years and that due to the complexity of this RFP, the Proposal Review Committee (PRC) met several times before completing the contract award recommendation. Ms. Lakeman thanked Leslie Ramsey for putting together the RFP along with Laurene Ehemann and Brian Spivey of Segal. This RFP is to be in effective July 1, 2015.

The Life Insurance RFP was issued by the SEBC on May 19, 2014 and vendors were invited to submit proposals by June 30, 2014. A total of four (4) vendors submitted their intent to bid with three (3) vendors submitting their proposals for review:

- Metropolitan Life Insurance Company (MetLife)
- Minnesota Life Insurance Company (Minnesota Life)
- The Prudential Insurance Company of America (Prudential)
- MetLife provided a proposed plan design and individual rates to the State based on the assumption that the Ported group would remain with Minnesota Life. Minnesota Life would not agree to keep just the Ported group.
- Prudential was disqualified from further consideration as they did not agree to waive the Actively at Work requirement as stated in the RFP and they did not agree to the State's indemnification language.

The PRC was tasked with putting forth a recommendation to the SEBC regarding plan design. The recommendation follows:

- Maintain the same benefits currently offered;
- Provide the current Ported group the current rates beginning July 1, 2015;
- Provide lower rates to Active employees to encourage new enrollment;
- Provide an insured waiver of premium for employees disabled on or after July 1, 2015.

Active Ported Option:

- Employees hired before July 1, 2015 would be able to port 50% of insurance coverage and convert the remaining 50% of coverage to vendor's individual pooled rates based on current age;
- Employees hired on or after July 1, 2015 would port 100% of insurance coverage to vendor's individual pooled rate based on current age.

Disabled Ported Option:

- Employees hired before July 1, 2015 would be able to port 50% of insurance coverage and convert the remaining 50% of coverage to vendor's individual pooled rates based on current age;
- Employees hired on or after July 1, 2015 would port 100% of insurance coverage to vendor's individual pooled rate based on current age.

The PRC recommends Minnesota Life for the following reasons:

- Proposing rates are 4.7% lower than current rates (10.1% lower rates than rates proposed by MetLife).
- Proposing individual Ported rates 40.0% lower than MetLife.
- Keeping current carrier minimizes disruption to participants.
- Minnesota Life is guaranteeing rates for three years and capping renewal increases for optional years four and five at 20.0% based on loss ratio.
- Will maintain current performance guarantees
- Will continue 4% interest rate for optional Cash Accumulation Account
- AM Best ratings are A+
- Standard and Poor's ratings are A+

Public Comment

Mr. Testerman expressed his thanks to all of the work that was put into the Life Insurance RFP.

Other Business

None.

Ms. Lakeman requested a motion to approve the PRC's recommendation to remain with Minnesota Life. Controller General Morton made the motion and Mr. Klopp seconded the motion. Upon unanimous voice vote the Minnesota Life Insurance carrier was approved.

Director Visalli asked for a motion to adjourn the meeting. Controller General Morton made the motion and Ms. Watson seconded. With unanimous voice approval the motion was carried and the meeting adjourned at 2:35 p.m.

The next SEBC Meeting is scheduled for Monday, November 17, 2014 at 2:00 p.m. at the Tatnall Building - Room 112.

Respectfully submitted,

Lisa Porter
Executive Secretary
Statewide Benefits Office, OMB